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ROYALE HOME HOLDINGS LIMITED

皇朝家居控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1198)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTIONS IN RELATION TO (1) THE SCFL DISPOSAL AND (2) THE HENGCHENG DISPOSAL

THE SCFL DISPOSAL

On 22 September 2025 (after trading hours), Royal Finance Lease (a wholly-owned subsidiary of the Company) (as vendor), Science City (as purchaser) and SCFL have entered into the SCFL Equity Transfer Agreement, pursuant to which Royal Finance Lease has conditionally agreed to sell, and Science City has conditionally agreed to purchase, 18.06% of the equity interest in SCFL at the SCFL Consideration of RMB416,752,500. As at the date of this announcement, SCFL is an associated company of the Company principally engaged in finance leasing, in which the Group holds 18.06% equity interest.

THE HENGCHENG DISPOSAL

On 22 September 2025 (after trading hours), Ocean Concept (a wholly-owned subsidiary of the Company) (as vendor), SC Development (as purchaser), Hengcheng and the Company have entered into the Hengcheng Equity Transfer Agreement, pursuant to which Ocean Concept has conditionally agreed to sell, and SC Development has conditionally agreed to purchase, the entirety of the equity interest in Hengcheng at the Hengcheng Consideration of RMB11,338,566.62.

As a condition precedent to the Hengcheng Completion, Hengcheng will undergo the Hengcheng Reorganisation, which is a process whereby the Hengcheng Excluded Assets and Liabilities (i.e. assets and liabilities relating to the manufacturing and sale of furniture operations of Hengcheng) would be transferred out of Hengcheng to the Remaining Group, such that the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal. It is estimated that the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations on the part of Hengcheng to pay the Remaining Group, which shall be settled in full by Hengcheng (funded by capital contribution(s) or shareholder's loan(s) to be made by SC Development to Hengcheng) within five (5) working days after the completion of the Transition Period Audit. As at 30 June 2025, the net liabilities value (i.e. the Net Reorganisation Obligations) representing a net amount after netting off the assets and liabilities amongst the Hengcheng Excluded Assets and Liabilities was approximately RMB122.14 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Science City, through SCHK and parties acting in concert with it, is interested in an aggregate of 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company. Accordingly, Science City is a controlling shareholder of the Company and a connected person of the Company. SC Development, being a subsidiary of Science City, is an associate of SCHK and hence also a connected person of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the SCFL Disposal (on a standalone basis) exceed 75%, the SCFL Disposal (on a standalone basis) constitutes a very substantial disposal and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Hengcheng Disposal (on a standalone basis) exceed 5% but all are less than 25%, the Hengcheng Disposal (on a standalone basis) constitutes a discloseable transaction and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, a series of transactions are required to be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or are otherwise related. As both of the Disposal Agreements are entered into by members of the Group with members of the Science City Group and at the same time, the transactions contemplated under the Disposal Agreements are therefore required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals (on an aggregated basis) exceed 75%, the Disposals (on an aggregated basis) constitute a very substantial disposal and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules, and are therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the Company's independent non-executive Directors (namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin) has been formed to consider the terms of and advise the Independent Shareholders on the Disposal Agreements and the transactions contemplated thereunder so far as the interests of the Company and the Independent Shareholders are concerned as a whole.

INDEPENDENT FINANCIAL ADVISER

Ignite Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Disposal Agreements and the transactions contemplated thereunder.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreements and the transactions contemplated thereunder.

As SCHK, Mr. Tse, Crisana, Charming Future and Leading Star have material interest in the Disposal Agreements and the transactions contemplated thereunder, they will be required to abstain from voting on the relevant resolutions at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal Agreements and the transactions contemplated thereunder and will therefore be required to abstain from voting at the EGM on the relevant resolutions.

A circular containing, among other things, (1) particulars of the Disposal Agreements and the transactions contemplated thereunder; (2) financial information of SCFL and Hengcheng; (3) unaudited pro forma financial information of the Remaining Group; (4) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (5) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (6) other information concerning the Company as required under the Listing Rules; and (7) a notice of the EGM is expected to be despatched to the Shareholders on or around 17 October 2025, as additional time is required for the preparation of certain information to be included in the circular.

The Completions are subject to the Independent Shareholders' approval at the EGM and the fulfillment of the conditions precedent under each of the Disposal Agreements. Accordingly, the Disposals may or may not proceed. The SCFL Disposal and the Hengcheng Disposal are inter-conditional upon each other and the Completions shall take place simultaneously. The Company will not proceed with any of the SCFL Disposal or the Hengcheng Disposal unless the Completions take place simultaneously. Shareholders and potential investors of the Company are reminded to exercise caution in dealing in the securities of the Company.

INTRODUCTION

The SCFL Disposal

The Board announces that on 22 September 2025 (after trading hours), Royal Finance Lease (a wholly-owned subsidiary of the Company) (as vendor), Science City (as purchaser) and SCFL have entered into the SCFL Equity Transfer Agreement, pursuant to which Royal Finance Lease has conditionally agreed to sell, and Science City has conditionally agreed to purchase, 18.06% of the equity interest in SCFL at the SCFL Consideration of RMB416,752,500. As at the date of this announcement, SCFL is an associated company of the Company principally engaged in finance leasing, in which the Group holds 18.06% equity interest.

The Hengcheng Disposal

The Board announces that on 22 September 2025 (after trading hours), Ocean Concept (a wholly-owned subsidiary of the Company) (as vendor), SC Development (as purchaser), Hengcheng and the Company have entered into the Hengcheng Equity Transfer Agreement, pursuant to which Ocean Concept has conditionally agreed to sell, and SC Development has conditionally agreed to purchase, the entirety of the equity interest in Hengcheng at the Hengcheng Consideration of RMB11,338,566.62.

As a condition precedent to the Hengcheng Completion, Hengcheng will undergo the Hengcheng Reorganisation, which is a process whereby the Hengcheng Excluded Assets and Liabilities (i.e. assets and liabilities relating to the manufacturing and sale of furniture operations of Hengcheng) would be transferred out of Hengcheng to the Remaining Group, such that the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal. It is estimated that the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations on the part of Hengcheng to pay the Remaining Group, which shall be settled in full by Hengcheng (funded by capital contribution(s) or shareholder's loan(s) to be made by SC Development to Hengcheng) within five (5) working days after the completion of the Transition Period Audit. As at 30 June 2025, the net liabilities value (i.e. the Net Reorganisation Obligations) representing a net amount after netting off the assets and liabilities amongst the Hengcheng Excluded Assets and Liabilities was approximately RMB122.14 million.

The SCFL Disposal and the Hengcheng Disposal are inter-conditional upon each other and the Completions shall take place simultaneously. The Company will not proceed with any of the SCFL Disposal or the Hengcheng Disposal unless the Completions take place simultaneously. The Disposals have all along been negotiated and agreed between the parties on the basis of a combined proposal, for the primary purposes of, amongst others, improving the Group's net debt position and reduce interest expenses. Taking into account (1) the time and scope associated with the pre-approval process of the Science City Group; (2) costs incurred or to be incurred; and (3) the SCFL Disposal and the Hengcheng Disposal are closely connected transactions with common purposes and are part and partial of a single proposal; the parties agreed that the SCFL Disposal and the Hengcheng Disposal shall be inter-conditional upon each other.

THE SCFL DISPOSAL

The principal terms of the SCFL Equity Transfer Agreement are as follows:

Date

22 September 2025 (after trading hours)

Parties

(i) Royal Finance Lease Limited, as vendor;

(ii) Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), as purchaser; and

(iii) Science City (Guangzhou) Finance and Leasing Co., Ltd.* (科學城（廣州）融資租賃有限公司).

Assets to be Disposed of

Pursuant to the SCFL Equity Transfer Agreement, Royal Finance Lease has conditionally agreed to sell, and Science City has conditionally agreed to purchase, 18.06% of the equity interest in SCFL, together with all rights and interests attached thereto with effect from the date of the SCFL Completion.

Consideration

The SCFL Consideration to be paid by Science City to Royal Finance Lease is RMB416,752,500.

The SCFL Consideration was determined after arm's length negotiations between Science City and Royal Finance Lease, with reference to, among others, (1) the valuation of 18.06% of the equity interest in SCFL which amounted to RMB395 million as at 30 June 2025, based on the income approach, as contained in an advance draft valuation report prepared by the Valuer; (2) the nature of the business of SCFL, in particular SCFL's qualifications and license to conduct a finance lease business; and (3) the potential enhancement of efficiency and synergistical effect for Science City by holding all the equity interest in SCFL after the SCFL Completion.

Valuation

Identity of Valuer and Qualifications

The Valuer is International Valuation Limited and has confirmed its independence from the Company and its connected persons.

The advance draft valuation report of 18.06% equity interest in SCFL was prepared by Ms. Winnie Lam and Mr. Kevin Kwong. Ms. Winnie Lam has more than ten years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. She is a charter holder of Chartered Financial Analyst (CFA). Mr. Kevin Kwong has more than ten years of experience in business valuation, intangible assets valuation, purchase price allocation, and impairment tests for financial reporting and transaction reference purposes. He is a charter holder of Chartered Financial Analyst (CFA), Chartered Valuer and Appraiser, Singapore (CVA) and Financial Risk Manager (FRM).

The Directors have assessed the qualifications, experience and track record of the Valuer and are of the view that the Valuer is qualified, experienced and competent in performing the valuation of 18.06% equity interest in SCFL.

Valuation Standards and Methodology

The advance draft valuation report was prepared in accordance with International Valuation Standards 2025.

In estimating the market value of the equity interest in SCFL, the Valuer relied primarily on the income approach in the form of a discounted cash flow ("**DCF**") methodology. The income approach could take into consideration the specific business development plans and capital injection schedule, if any, of SCFL. Moreover, it could capture the future earning potential and expected turnaround of the business operations of SCFL. Hence, the Valuer considered it is fair and reasonable to adopt the income approach in arriving at the market value of SCFL.

As stated in the advance draft valuation report, the market approach benchmarks SCFL's equity value against publicly traded comparable companies, based on similarity and comparability in financial performance and business nature. However, the Valuer observed a consistent decline in SCFL's revenue over the past three years, from approximately RMB522 million for the year ended 31 December 2022 to approximately RMB407 million for the year ended 31 December 2024, and further down to approximately RMB157 million for the six months period ended 30 June 2025. In addition, the operating profit excluding non-recurring or non-operating items also decreased consecutively during the same period, from approximately RMB203 million in 2022 to approximately RMB38 million in 2024, and further turned into an operating loss excluding non-recurring or non-operating items of approximately RMB54 million for the six months period ended 30 June 2025. Given the deterioration and fluctuation in SCFL's business operations and financial performance as of 30 June 2025, it is subjective to estimate a normalized financial baseline for a meaningful comparison with publicly traded comparable companies. In addition, because the market approach involves a high-level comparison between SCFL and similar companies trading in the public market, the Valuer considers that it is more difficult to capture the specific characteristics (including revenue, costing, cashflows, capital investment, etc.) of SCFL when adopting the market approach than adopting the income approach, which incorporates historical financial information and projections. Therefore, the market approach was not adopted by the Valuer in the valuation of 18.06% equity interest in SCFL.

The cost approach was also not applied for the valuation of SCFL as it tends to understate the value of an income-generating business.

Key Inputs

The Valuer's DCF analysis was based on key qualitative factors applicable to the valuation of SCFL, outlook for the general economy of the territory in which it operates, and discussions with and projections prepared by the management of the Company. Free cash flow to equity ("**FCFE**") for each year of the projection period was calculated by adding back other items affecting cash flows to net profit. Non-cash expenses, such as depreciation and amortization, were added, incremental investments in net working capital and capital expenditures were deducted, and net borrowings were added, all of which are provided by the management of the Company.

In addition to calculating the free cash flows throughout the projection period, it was necessary to calculate the terminal value of SCFL, which reflects the value of the equity at the end of the projection period. The terminal value was calculated by applying the Gordon Growth Model with a long-term growth rate.

The projected free cash flows, including the terminal value, were discounted to present value at an appropriate rate of return, or "discount rate". The discount rate is the rate of return that an investor would require on an investment in the business. This rate of return should reflect macroeconomic, industry, and company-specific factors that translate into the degree of perceived risk to achieve these projected results.

Details of the calculation of the market value of SCFL are illustrated as follows:

As of 30 June 2025

	RMB'000
Equity Value derived from DCF Methodology (marketable and controlling basis)	845,607
Less: Discount for Lack of Marketability ("**DLOM**")	(131,915)
Less: Discount for Lack of Control ("**DLOC**")	(124,304)
Equity Value (non-marketable and non-controlling basis)	589,388
Add/(Less): Non-Operating Assets/(Liabilities)	1,599,148
Market Value of 100% Equity Interest in SCFL	2,188,536
Market Value of 18.06% Equity Interest in SCFL (rounded)	395,000

The specific assumptions and key inputs of the profit forecast under the advance draft valuation report are set out as follows:

Specific assumptions	**Input**	**Basis of assumptions**
Terminal growth rate	2%	The terminal value was calculated by applying the Gordon Growth Model assuming that the business will grow at a long-term growth rate of about 2% perpetually after the forecast period with formula as follows: Terminal Value: $FCFE_{n+1}$/(Discount Rate – Long-term Growth Rate) where $FCFE_{n+1}$ is the Free Cash Flow to Equity in the year following the forecast period (i.e. year n+1).

Discount for Lack of Marketability	15.60%	Based on Stout Restricted Stock Study Companion Guide 2024 published by Stout Risius Ross, LLC, a DLOM of approximately 15.60% has been adopted.
Discount for Lack of Control	14.7%	Based on the FactSet/BVR Control Premium Study 4th Quarter, 2024 published by Business Valuation Resources, LLC, a DLOC of approximately 14.7% has been adopted. This represents the median minority discount on equity for transactions in 2024 involving minority interests ranging from 0.1% to 25% according to the study.
Discount Rate	14%	Market derived cost of equity ("**COE**") was adopted in determining the appropriate discount rate in the valuation of the equity. In estimating the COE, the Valuer considered market data concerning the companies that engaged in similar business of SCFL. Comparable public companies with businesses similar with the valuation target were selected. The Capital Asset Pricing Model ("**CAPM**") adjusted for specific risks associated with the industry was applied to estimate the current market yield required on equity. The CAPM is represented by the following algebraic equation: CAPM = Risk-Free Rate + (Relevered Beta x Market Risk Premium) + Size Premium + Company-Specific Risk Premium The 10-year government bond yield of the PRC about 1.65% as of the 30 June 2025 as extracted from Bloomberg was adopted as the Risk-Free Rate of Return. The Valuer reviewed the betas of the guideline companies to ascertain a proxy for an industry beta. Once the industry beta was estimated, the beta was relevered with the industry's average debt-to-equity ratio. The average debt-to-equity ratio was about 4.44 and relevered beta was about 1.87.

	The market risk premium of the PRC of about 5.27% as of the 30 June 2025 as sourced from Damodaran Online was adopted. The size of SCFL falls in the 9th decile according to the CRSP Deciles Size Study and therefore, the Valuer utilized a size premium of 1.73%, which is extracted from the Kroll Cost of Capital Navigator. Company-specific risk premium of 1% was adopted with a consideration of the forecast risks/uncertainly associated with achievability of the projection of SCFL.

Assumptions

The major assumptions adopted by the Valuer in the appraisal are:

- Unaudited consolidated management accounts of SCFL for the six months period ended 30 June 2025 as provided by the management of the Company can reasonably represent its financial position and performance of SCFL as of 30 June 2025 since audited financial accounts as of 30 June 2025 were not available;

- It is assumed the total balance of the borrowings and financial leasing related operating liabilities of SCFL will be maintained at the same level as the total balance of its financial leasing related long-term receivables and other non-current financial assets to support the operation and future development of SCFL over the forecasted period. Any unutilized borrowings and financial leasing related operating liabilities will be repaid;

- There will be no major changes in the current taxation laws in the territories (the "**SCFL Territories**") in which SCFL operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the SCFL Territories in which SCFL operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of SCFL;

- SCFL will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which SCFL operates or intends to operate has or would be officially obtained and renewable upon expiry;

- Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and

- All information and representations provided by the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

The Board's Assessment

The Valuer advised that the bases and assumptions of the valuation are those commonly used in valuations of equity interests in companies. The Board considers the methodologies, assumptions and bases adopted by the Valuer for the valuation are commonly used and reasonable in establishing the appraised value of 18.06% equity interest in SCFL and hence considers that the valuation conducted by the Valuer is fair, reasonable and appropriate.

Payment

The SCFL Consideration shall be paid by Science City to Royal Finance Lease in full within 10 working days after the date of the SCFL Completion by way of bank transfer.

The payment of the SCFL Consideration shall be conditional upon:

(a) Science City having received all Registration Documents and such Registration Documents remaining to be effective;

(b) completion of the SCFL Industrial and Commercial Registration and SCFL having obtained a new business license;

(c) the representations, warranties and undertakings given by Royal Finance Lease under the SCFL Equity Transfer Agreement being true, complete and effective;

(d) there having been no material adverse change in the conditions of SCFL, which shall be determined at the sole discretion of Science City; and

(e) Royal Finance Lease having fulfilled all its obligations under the SCFL Equity Transfer Agreement, and there having been no material breach of any provisions in the SCFL Equity Transfer Agreement.

Conditions Precedent

The SCFL Completion is subject to the fulfillment or waiver (as the case may be) of all of the following conditions precedent:

(a) the representations, warranties and undertakings given by Royal Finance Lease in the SCFL Equity Transfer Agreement remaining to be true, complete and effective;

(b) based on Royal Finance Lease's reasonable belief and to its knowledge, except as disclosed to Science City, there are no claims, litigations, or proceedings pending or threatened against SCFL that would have a material effect on the operations of SCFL;

(c) the board of directors of Royal Finance Lease having passed the board resolutions approving the SCFL Disposal, and such board resolutions remaining to be effective;

(d) Royal Finance Lease having fulfilled all its obligations in accordance with the SCFL Equity Transfer Agreement, and there having been no material breach of any provisions in the SCFL Equity Transfer Agreement;

(e) the circular of the Company in respect of the SCFL Disposal having obtained the approval or no comment confirmation from the Stock Exchange, and having been despatched to the Shareholders;

(f) the SCFL Disposal having been approved by the Independent Shareholders at the EGM in accordance with the Listing Rules, and all other consent(s) and approval(s) in respect of the SCFL Disposal under the Listing Rules having been obtained, or a waiver from the Stock Exchange from compliance with any such rules having been otherwise obtained;

(g) all necessary waivers, consents and approvals from relevant governmental or regulatory authorities or other relevant third parties (if necessary) in respect of the SCFL Disposal having been obtained;

(h) there having been no material adverse change, which shall be determined at the sole discretion of Science City;

(i) Royal Finance Lease having provided to Science City proof that the SCFL Disposal has been approved by its highest authority, or such other body or individual empowered to approve the SCFL Disposal (including the new articles of association of SCFL), and such approval remaining to be effective; and

(j) all the conditions precedent under the Hengcheng Equity Transfer Agreement (other than the condition precedent in relation to the fulfillment or waiver of the conditions precedent under the SCFL Equity Transfer Agreement) having been fulfilled or waived (if applicable).

The parties to the SCFL Equity Transfer Agreement shall use their reasonable efforts to ensure that the conditions precedent above will be satisfied as soon as practicable. The conditions (a), (b), (d), (h) and (i) may be waived by Science City in its absolute discretion. For the avoidance of doubt, none of the other conditions precedent is waivable by any of the parties to the SCFL Equity Transfer Agreement.

As at the date of this announcement, none of the conditions precedent to the SCFL Completion has been satisfied or waived.

The SCFL Completion

Science City, Royal Finance Lease and SCFL shall register the transfer of the SCFL Equity Interest and the new articles of association of SCFL, and obtain a new business license reflecting the transfer of the SCFL Equity Interest (collectively, the "**SCFL Industrial and Commercial Registration**") as soon as possible but within 10 working days from the fulfilment or waiver (as the case may be) of all the conditions precedent.

The SCFL Completion shall take place upon the completion of the SCFL Industrial and Commercial Registration and the obtaining of the new business license by SCFL.

Termination

The SCFL Equity Transfer Agreement shall be terminated (except for any antecedent breaches) upon the occurrence of the following events (whichever is the earliest):

(a) upon the unanimous agreement of the parties; or

(b) upon the satisfaction in full of all obligations of the parties under the SCFL Equity Transfer Agreement; or

(c) the conditions precedent not having been fulfilled or waived on or before 31 December 2025 (or such later date as may be agreed by Royal Finance Lease and Science City in writing).

THE HENGCHENG DISPOSAL

The principal terms of the Hengcheng Equity Transfer Agreement are as follows:

Date

22 September 2025 (after trading hours)

Parties

(i) Ocean Concept Limited, as vendor;

(ii) Science City (Guangzhou) Development Group Co., Ltd.* (科學城(廣州)發展集團有限公司), as purchaser;

(iii) Guangdong Hengcheng Furniture Co., Ltd.* (廣東恒誠傢俬有限公司); and

(iv) Royale Home Holdings Limited.

Assets to be Disposed of

Pursuant to the Hengcheng Equity Transfer Agreement, Ocean Concept has conditionally agreed to sell, and SC Development has conditionally agreed to purchase, 100% of the equity interest in Hengcheng, together with all rights and interests attached thereto with effect from the date of the Hengcheng Completion.

Upon the Hengcheng Completion, the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal.

Consideration

The Hengcheng Consideration to be paid by SC Development to Ocean Concept is RMB11,338,566.62.

The Hengcheng Consideration was determined after arm's length negotiations between SC Development and Ocean Concept, with reference to, among others, the valuation of 100% of the equity interest in Hengcheng which amounted to RMB10,800,000 as at 30 June 2025, based on the cost approach, as contained in an advance draft valuation report prepared by the Valuer. The valuation of the equity interest in Hengcheng was conducted on the assumption that completion of the Hengcheng Reorganisation has taken place, given that completion of the Hengcheng Reorganisation is a condition precedent to the Hengcheng Completion.

Valuation

Identity of Valuer and Qualifications

The Valuer is International Valuation Limited and has confirmed its independence from the Company and its connected persons.

The advance draft valuation report of 100% equity interest in Hengcheng was prepared by Ms. Winnie Lam and Mr. Kevin Kwong, details of the qualifications and experiences of whom are set out in the sub-section headed "The SCFL Disposal – Valuation – Identity of Valuer and Qualifications" in this announcement.

The advance draft valuation report of the Hengcheng Land and Construction Interests was prepared by Mr. Vincent Pang. Mr. Vincent Pang is a Member of the Hong Kong Institute of Surveyors (General Practice Division), a Member of the Royal Institution of Chartered Surveyors (Valuation) and a Registered Professional Surveyor (General Practice) with over 28 years of experience in property valuation and advisory services in the Greater China region and various overseas countries.

The Directors have assessed the qualifications, experience and track record of the Valuer and are of the view that the Valuer is qualified, experienced and competent in performing the valuation of 100% equity interest in Hengcheng and Hengcheng Land and Construction Interests.

Valuation Standards and Methodology

The advance draft valuation report was prepared in accordance with International Valuation Standards 2025.

In estimating the market value of the equity interest in Hengcheng, the Valuer relied primarily on the cost approach, under which each of the individual assets and liabilities of Hengcheng are valued on the market value basis. After the Hengcheng Reorganisation, Hengcheng will mainly hold the Hengcheng Land and Construction Interests, and it will no longer be able to continue its existing principal business of furniture production. Therefore, it was the Valuer's view that the market value of Hengcheng will primarily reside in these remaining assets after the Hengcheng Reorganisation. In addition, specific assumptions and market data that are most relevant to the Hengcheng Land and Construction Interests could be taken into consideration when assessing their market values. Hence, the Valuer considered the adoption of the cost approach is fair and reasonable.

The market approach benchmarks Hengcheng's equity value to that of the publicly trading comparable companies based on the similarity and comparability on their financial performances and business nature. Since the specific attributes and location of the Hengcheng Land and Construction Interests remained in Hengcheng after the Hengcheng Reorganisation are vastly different across different companies, the market approach is not appropriate for the valuation in view of such possible fundamental difference between Hengcheng and publicly trading comparable companies. Also, the discontinuation of the existing principal business of Hengcheng makes it infeasible to conduct a meaningful comparison with publicly traded comparable companies.

The income approach was not adopted since prospective financial projection at market participants' point of view, which is subject to a number of assumptions and contingent factors, was not reliably available. There is no business development plan of Hengcheng after the Hengcheng Reorganisation. Concerning that the valuation would be significantly impacted by any inappropriate assumptions made in the cashflow forecast of Hengcheng, it was considered that the income approach was not appropriate for the valuation.

Key Inputs

Based on the unaudited consolidated management accounts of Hengcheng for the six months ended 30 June 2025, after the Hengcheng Reorganisation, the assets of Hengcheng mainly include cash and cash equivalents, other current assets, other receivables, amount due from Ocean Concept (a wholly-owned subsidiary of the Company, as the vendor), the Hengcheng Land and Construction Interests and deferred tax assets; while the liabilities of Hengcheng mainly include tax payables, other payables, amount due to the Company, non-current liabilities due within one year and deferred income.

The aggregate market value of the Hengcheng Land and Construction Interests under the assumption that the Hengcheng Land and Construction Interests can be freely transferred in the market without restriction is approximately RMB103,000,000 as of 30 June 2025.

Based on the above analysis, all assets and liabilities of Hengcheng, after the Hengcheng Reorganisation, are valued on the market value basis. The market values of the assets and liabilities are netted off to arrive at our concluded market value of Hengcheng.

Details of the calculation are illustrated as follows:

	Market Value *RMB*
Current assets	
Cash and cash equivalents	10,182,766
Other current assets	633,419
Other receivables	727,273
Amount due from the vendor	18,000,000
	29,543,458
Non-current assets	
The Hengcheng Land and Construction Interests	103,000,000
Deferred tax assets	1,689,417
	104,689,417
Current liabilities	
Tax payables	(2,165)
Other payables	(208,699)
Amount due to the Company	(122,135,160)
Non-current liabilities due within one year	(1,081,570)
	(123,427,594)
Non-current liabilities	
Deferred income	–
	–
Net asset value	**10,805,281**
Value of 100% Equity Interest	**10,805,281**
Value of 100% Equity Interest (Rounded)	**10,800,000**

The difference between (1) the market value of the net asset value of 100% equity interest in Hengcheng based on the valuation conducted by the Valuer of approximately RMB10.81 million; and (2) the net asset value of Hengcheng based on the unaudited financial information of Hengcheng of approximately RMB11.9 million represents (i) the fair value loss on the Hengcheng Land and Construction Interests of approximately RMB3.20 million; and (ii) the adjustment on deferred income of Hengcheng of approximately RMB2.11 million.

Deferred income represents government grant received by Hengcheng for reimbursements of capital expenditure spent on manufacturing activities, which has been recorded as deferred income in December 2024. It is unlikely that the government grant will be required by the local government to be returned, and it should be recognized in the profit or loss statement as undistributed profits. As such, given the nature of the deferred income and the expected minimal risk of its return required by the local government, the market value of deferred income would be considered as zero.

Other receivables is a guarantee deposit paid to a third party financier of approximately RMB0.73 million as of 30 June 2025. The amount due from the vendor comprises two inter-company advances totalling approximately RMB18 million provided by Hengcheng to Ocean Concept, a wholly-owned subsidiary of the Company, in July and August 2023. These advances were in nature intra-group fund management arrangements of the Group, for the purposes of supporting Ocean Concept's funding needs, including daily business operations and repayment of overseas debts. There has been no change in the outstanding amount of the amount due from the vendor between 31 August 2023 and 30 June 2025, during which both Ocean Concept and Hengcheng were wholly-owned subsidiaries under the common control of the Company and hence no repayment was made according to the Group's discretion on the internal management and allocation of funds. It is a consensus that the amount due from the vendor will be repaid by Ocean Concept to Hengcheng within one year from 30 June 2025.

Based on the nature of the aforementioned other receivables and amount due from the vendor, the Company considers that the possibility of default or non-repayment of these other receivables from the third party financier and the amount due from the vendor is minimal. Besides, the Company has also reviewed the other receivables and amount due from the vendor, and has made impairment adjustments on those long outstanding balances and on those balances that cannot be recovered if applicable. Hence, it is expected that there is no significant difference between market values and book values of the other receivables and the amount due from the vendor. Additionally, Hengcheng expects the recovery of such amounts would be made within one year from 30 June 2025 and after the completion of the Hengcheng Disposal. Given the short-term nature of the other receivables and amount due from the vendor, their net book values are deemed to have closely reflected their market values without any discount or premium to be applied.

Assumptions

The major assumptions adopted by the Valuer in the appraisal are:

- unaudited consolidated management accounts of Hengcheng for the six months period ended 30 June 2025, after the Hengcheng Reorganisation, as provided by the management of the Company can reasonably represent its financial position and performance of Hengcheng as of 30 June 2025 since audited financial accounts as of 30 June 2025 was not available;

- there will be no major changes in the current taxation laws in the territories (the "**Hengcheng Territories**") in which Hengcheng operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- there will be no major changes in the political, legal, economic or financial conditions in the Hengcheng Territories in which Hengcheng operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of Hengcheng;

- all relevant legal approvals and business certificates or licenses to operate the business in the localities in which Hengcheng operates or intends to operate has or would be officially obtained and renewable upon expiry;

- industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and

- all information and representations provided by the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

The Board's Assessment

The Valuer advised that the bases and assumptions of the valuation are those commonly used in valuations of equity interests in companies. The Board considers the methodologies, assumptions and bases adopted by the Valuer for the valuation are commonly used and reasonable in establishing the appraised value of 100% equity interest in Hengcheng and hence considers that the valuation conducted by the Valuer is fair, reasonable and appropriate.

The Hengcheng Reorganisation

It was agreed between Ocean Concept and SC Development that the subject matter of the Hengcheng Disposal is the Hengcheng Land and Constructions Interests. The parties have therefore agreed to undergo the Hengcheng Reorganisation such that, upon the Hengcheng Completion, (1) the Hengcheng Excluded Assets and Liabilities will be disposed of by Hengcheng to the Remaining Group; and (2) the Hengcheng Target Assets and Liabilities will be the remaining assets and liabilities within Hengcheng.

It was agreed in the Hengcheng Equity Transfer Agreement that the Hengcheng Reorganisationas shall be a condition precedent to the Hengcheng Completion, in relation to which Hengcheng shall (a) dispose of or transfer out all Operation Related assets and liabilities of Hengcheng to the Remaining Group, (b) settle certain subsisting third party financings through funds provided by the Remaining Group; (c) transfer all employees of Hengcheng to the Remaining Group; and (d) terminate or assign all subsisting Operation Related contracts entered into between Hengcheng and third parties to the Remaining Group, such that Hengcheng shall cease to be bound by the said contracts. As at the date of this announcement, the Hengcheng Reorganisation is in progress.

The Hengcheng Reorganisation is a process whereby the Hengcheng Excluded Assets and Liabilities (i.e. assets and liabilities relating to the manufacturing and sale of furniture operations of Hengcheng) would be transferred out of Hengcheng, such that the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities, being the subject matter of the Hengcheng Disposal). In respect of the transfer of the Hengcheng Excluded Assets and Liabilities and relevant rights and obligations, it is estimated that the value of liabilities assumed would exceed the value of assets acquired by the Remaining Group, thereby giving rise to a net deficit in the form of net obligations on the part of Hengcheng to pay the Remaining Group (the "**Net Reorganisation Obligations**"). It was agreed in the Hengcheng Equity Transfer Agreement that, within five (5) working days after the completion of the Transition Period Audit, Hengcheng shall settle in full the Net Reorganisation Obligations, which shall be funded by capital contribution(s) or shareholder's loan(s) made by SC Development to Hengcheng.

The payment terms in respect of the Net Reorganisation Obligations represent binding obligations on the part of SC Development in the Hengcheng Equity Transfer Agreement. Taking into account (1) the recourse available to the Group under the Hengcheng Equity Transfer Agreement should SC Development be in breach, (2) the background and strong financial capabilities of SC Development, including cash of approximately RMB491.07 million, net current assets of approximately RMB1,861 million and total assets of approximately RMB21,716 million as at 31 December 2024, as shown in the audited financial statements of SC Development for the year ended 31 December 2024, and (3) the parent and subsidiary relationship between Science City and the Group, the Directors consider that the default risk associated with the Net Reorganisation Obligations is low.

As at 30 June 2025, the net assets value of the Hengcheng Target Assets and Liabilities was approximately RMB11.90 million, and the net liabilities value (i.e. the Net Reorganisation Obligations) of the Hengcheng Excluded Assets and Liabilities was approximately RMB122.14 million. Set out below are details of the Operation Related assets and liabilities, i.e. the Hengcheng Excluded Assets and Liabilities:

	Value as at 30 June 2025 *RMB'000*
Operation Related assets	
Plant and machinery for production	**11,435**
Inventories	**6,407**
Amount due from the Group	**229,115**
Other assets	**1,267**
Sub-total	**248,224**
Operation Related liabilities	
Trade payables	**(7,774)**
Other payables	**(880)**
Borrowings	**(90,818)**
Amount due to the Group	**(270,888)**
Sub-total	**(370,360)**
Net Reorganisation Obligations	**(122,136)**

The Company has reviewed all the Operation Related assets and has made necessary impairment or adjustments on the Operation Related assets in the unaudited consolidated management accounts of Hengcheng for the six months ended 30 June 2025. Hence, the Company expects that there is no significant difference between the market values and book values of the Operation Related assets. For the Operation Related liabilities, the Company has assessed the nature and all necessary adjustments that have been made, and considers that the Operation Related liabilities are required to be settled or repaid. Hence, it is expected that there is no significant difference between market value and book value of the Operation Related liabilities. For the Net Reorganisation Obligations, as it is expected that they are also required to be settled or repaid by Hengcheng, the Company does not expect any significant difference between their market values and book values. Hence, the book value of the Net Reorganisation Obligations is deemed to have fully reflected its market value as of 30 June 2025 for Hengcheng.

The Group has formulated a transition plan (the "**Transition Plan**") in respect of the transfer of the Hengcheng Excluded Assets and Liabilities to the Remaining Group, details of which are set out as follows:

(a) the Company is currently in negotiation with SC Development for the lease of the production facility of Hengcheng after the Hengcheng Completion (the "**Lease**"). Should such Lease materialise, the Remaining Group will be able to continue with the operations originally carried out by Hengcheng at the same production facility. It is expected that no relocation cost will be incurred in connection with such arrangement. As SC Development is a connected person of the Company, the Lease, if materialised, will constitute a connected transaction or a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will comply will all applicable requirements under Chapters 14 and 14A of the Listing Rules in relation to the Lease as and when appropriate. As at the date of this announcement, negotiations between the Company and SC Development in relation to the Lease is on-going. The Company will negotiate with SC Development on an arm's length basis and ensure that the Lease will be on terms no less favourable to the Group than terms available to independent third parties. In the event that the terms of the Lease offered by SC Development are less favourable to the Group than those offered by independent third parties, the Group will not enter into the Lease and will at its best effort further negotiate with SC Development for more favourable terms or resort to lease(s) offer by independent third parties; and

(b) alternatively, the Group has been formulating a relocation plan, in the event that the Company eventually decides to continue with the operations originally carried out by Hengcheng at a different premise. After market research and enquiries, the Company understands that there are sufficient alternative premises of comparable size and similar usage and in the vicinity for lease. The Company considers there will be no material impediment for the Remaining Group to lease nearby premises for the continuation of the operations of Hengcheng. The Company plans to relocate the machinery and equipment currently held by Hengcheng in phases, with an overall relocation timeframe of approximately one month. It is estimated that relocation costs of approximately RMB1.0 million will be incurred in connection with such arrangement, on the basis that the relocation will be carried out by the Group internally. The Company will formulate an organised relocation plan and draw up an efficient production schedule for the utilization of production resources and capacities, including but not limited to partial sub-contracting of production functions to other entities within the Group or third parties where appropriate.

Further announcement will be made by the Company in respect of material update(s) on the Transition Plan (including but not limited to the solution eventually adopted) as and when appropriate.

Transition Period Arrangements

Any profits generated and any losses incurred in respect of the Hengcheng Target Assets and Liabilities of Hengcheng during the Transition Period shall be borne by Hengcheng.

Payment

The Hengcheng Consideration shall be paid by SC Development to Ocean Concept in the following manner:

(a) an amount of RMB200,000 shall be retained by SC Development as security deposit (the "**Security Deposit**") in relation to an on-going litigation concerning certain contractual disputes between Hengcheng and a third party. Within 10 working days after the provision of all relevant proof of the final conclusion of the case and payment of relevant fees (if any), (1) if the Security Deposit is sufficient to cover the costs arising from the litigation, SC Development shall pay the remaining balance of the Security Deposit to Ocean Concept; or (2) if the costs arising from the litigation exceed the Security Deposit, Ocean Concept shall compensate SC Development for the difference; or (3) if Hengcheng obtains a judgment in favour of its counterclaim(s) with an awarded amount exceeding its judgment liabilities, the net gain together with the Security Deposit (after deducting costs of the litigation) shall be paid by SC Development to Ocean Concept; and

(b) SC Development shall pay RMB11,138,566.62 (being the Hengcheng Consideration after deducting the Security Deposit) to Ocean Concept in full by way of bank transfer within 15 working days after the date of the Hengcheng Completion, provided that Ocean Concept has provided a completion certificate to SC Development.

Conditions Precedent

The Hengcheng Completion is subject to the fulfillment or waiver (as the case may be) of all of the following conditions precedent:

(a) SC Development having completed its due diligence with the cooperation of Hengcheng and Ocean Concept, and the results of such due diligence satisfy the requirements of SC Development and relevant requirements of state-owned assets supervision and administration authorities;

(b) completion of the Hengcheng Reorganisation, including the following events:

    (i) the debts and obligations (with a total loan amount of not more than RMB50 million) of Hengcheng contemplated under all loan agreements entered into between Hengcheng and certain banks, together with relevant agreements and legal documents, having been performed in full, at the expense of Ocean Concept;

(ii) the debts and obligations of Hengcheng contemplated under a finance lease agreement entered into between Hengcheng and a financier, together with relevant agreement(s) and legal documents, having been performed in full, and the relevant leased asset(s) having been bought back by a party designated by Ocean Concept, at the expense of Ocean Concept;

(iii) Hengcheng having laid off all its employees, and all the employees having confirmed in writing that they shall not have any right and claim against Hengcheng, at the expense of Ocean Concept; and

(iv) Hengcheng having terminated or changed all subsisting Operation Related contracts, agreements or legal documents entered into with third parties, such that Hengcheng shall cease to be bound by the said contracts, agreements or legal documents, at the expense of Ocean Concept;

(c) Hengcheng and Ocean Concept having completed all necessary corporate governance documents and legal documentations for the transfer of the Hengcheng Equity Interest, including but not limited to all documents for industrial and commercial changes required for the transfer of the Hengcheng Equity Interest and valid, duly prepared and signed resolutions of Ocean Concept for the transfer of the Hengcheng Equity Interest; Hengcheng having amended and signed the new articles of association or articles of association amendments of Hengcheng in respect of the transfer of the Hengcheng Equity Interest and relevant matters contemplated under the Hengcheng Equity Transfer Agreement;

(d) the Hengcheng Disposal having been approved by SC Development's decision-making body or supervising authority, and such approval remaining to be effective up to the date of the Hengcheng Completion;

(e) SC Development having received the written resignation letters of the existing legal representative, director(s), general manager, supervisor(s) and the finance director of Hengcheng;

(f) all consents from third parties and regulatory authorities (including stock exchanges) required for the transfer of the Hengcheng Equity Interest and the Hengcheng Disposal having been obtained, and such consents being legal and effective;

(g) except as provided in the Hengcheng Equity Transfer Agreement, as at the date of the Hengcheng Completion, there having been no material change to the Hengcheng Equity Interest (for example, changes in law, tax or market environment) which may have a material adverse effect on Hengcheng's financial condition, prospects, operating results, general business conditions, equity, business or value of its principal assets; and there having been no events or facts that may lead to such changes;

(h) as at the date of the Hengcheng Completion, except as provided in the Hengcheng Equity Transfer Agreement, there having been no material government investigations, penalties, enforcement measures, lawsuits or other dispute proceedings that may have an adverse impact on the Hengcheng Disposal or its legality, or on the operations or condition of Hengcheng;

(i) the representations and warranties given by Hengcheng and Ocean Concept in the Hengcheng Equity Transfer Agreement remaining to be true, accurate, complete and not misleading, and the same not having been breached as at the date of the Hengcheng Equity Transfer Agreement and the date of the Hengcheng Completion;

(j) all the conditions precedent under the SCFL Equity Transfer Agreement (other than the condition precedent in relation to the fulfillment or waiver of the conditions precedent under the Hengcheng Equity Transfer Agreement) having been fulfilled or waived (if applicable); and

(k) the Hengcheng Disposal having been approved by the Independent Shareholders at the EGM in accordance with the Listing Rules and all other consent(s) and approval(s) in respect of the Hengcheng Disposal under the Listing Rules having been obtained, or a waiver from compliance with any such rules from the Stock Exchange having otherwise been obtained.

The parties to the Hengcheng Equity Transfer Agreement shall use their best efforts to procure the satisfaction of the conditions precedent above as soon as possible, and in any event not later than the Hengcheng Long Stop Date (i.e. 31 December 2025, or such other date as may be agreed by SC Development and Ocean Concept in writing). If any of the conditions precedent is not satisfied or waived (as the case may be) on or before the Hengcheng Long Stop Date, the Hengcheng Equity Transfer Agreement shall lapse.

The conditions (a), (b), (e), (g), (h) and (i) may be waived in full or in part by SC Development in its absolute discretion. For the avoidance of doubt, none of the other conditions precedent is waivable by any of the parties to the Hengcheng Equity Transfer Agreement.

As at the date of this announcement, except for condition (a), none of the conditions precedent to the Hengcheng Completion has been satisfied or waived.

The Hengcheng Completion

Ocean Concept shall procure Hengcheng to complete the relevant industrial and commercial registration procedures (including but not limited to registration of the change of shareholder of Hengcheng and the new articles of association of Hengcheng (collectively, the "**Hengcheng Industrial and Commercial Registration**")) as soon as possible but within five (5) working days from the fulfilment or waiver (as the case may be) of all the conditions precedents.

The Hengcheng Completion shall take place upon the completion of the Hengcheng Industrial and Commercial Registration.

Guarantee

The Company has provided a guarantee to SC Development in respect of all the liabilities of Hengcheng and Ocean Concept under the Hengcheng Equity Transfer Agreement, including the liabilities set out below:

(a) all existing and future obligations of Ocean Concept under the Hengcheng Equity Transfer Agreement (including but not limited to the refund of the Hengcheng Consideration, liquidated damages, fines, taxes, compensation for losses, etc.);

(b) Ocean Concept's and Hengcheng's liability for breach of contract arising from their breach of the commitments and guarantees under the Hengcheng Equity Transfer Agreement;

(c) all debts of Hengcheng existing before the date of the Hengcheng Completion, or disputes, claims or costs after the date of the Hengcheng Completion arising by reason of Hengcheng before the date of the Hengcheng Completion (including but not limited to contractual debts, tort debts, taxes, administrative penalties, undisclosed debts and contingent liabilities);

(d) any form of guarantee obligations provided by Hengcheng to any third party before the date of the Hengcheng Completion;

(e) all losses suffered by SC Development due to the concealment or omission of disclosure by Ocean Concept or Hengcheng; and

(f) reasonable expenses incurred by SC Development in realizing its creditor's rights (including but not limited to investigation and evidence collection fees, notarization fees, litigation/arbitration fees, preservation fees, property preservation insurance premiums, attorney's fees, consulting fees and court execution fees, etc.).

INFORMATION OF ASSETS TO BE DISPOSED OF UNDER THE DISPOSALS

Information of SCFL

SCFL is a company established in the PRC with limited liability. The principal business activity of SCFL is finance leasing.

As at the date of this announcement, the Group through Royal Finance Lease holds 18.06% equity interest in SCFL, and Science City holds 81.94% equity interest in SCFL.

Financial Information of SCFL

Set out below is a summary of the audited financial information of SCFL for the two years ended 31 December 2023 and 2024, and the unaudited financial information of SCFL for the six months ended 30 June 2025, prepared under the PRC GAAP:

	For the six months ended 30 June 2025	**For the year ended 31 December**	
		2024	2023
	RMB million	*RMB million*	*RMB million*
	(unaudited)	(audited)	(audited)
Net profit/(loss) before taxation	**(20.15)**	74.64	70.80
Net profit/(loss) after taxation	**(17.54)**	55.30	54.14

The unaudited net asset value of SCFL as at 30 June 2025 was approximately RMB1,814.26 million.

Information of Hengcheng

Hengcheng is a company established in the PRC with limited liability. The principal business activity of Hengcheng is manufacturing and sale of sofa.

As at the date of this announcement, the Group through Ocean Concept holds the entirety of the equity interest in Hengcheng.

Financial Information of Hengcheng

Set out below is a summary of the audited financial information of Hengcheng for the two years ended 31 December 2023 and 2024, and the unaudited financial information of Hengcheng for the six months ended 30 June 2025, prepared under the PRC GAAP:

	For the six months ended 30 June 2025	**For the year ended 31 December**	
		2024	2023
	RMB million	*RMB million*	*RMB million*
	(unaudited)	(audited)	(audited)
Net loss before taxation	**–**	(9.56)	(20.35)
Net loss after taxation	**(4.86)**	(7.17)	(15.31)

The unaudited net asset value of Hengcheng as at 30 June 2025 was approximately RMB11.9 million. As at 30 June 2025, assuming the completion of the Hengcheng Reorganisation has taken place, the unaudited net asset value of Hengcheng (i.e. the Hengcheng Target Assets and Liabilities) is estimated to be approximately RMB11.9 million. As it is estimated that the value of liabilities assumed would exceed the value of assets acquired by the Remaining Group, the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations. Upon the completion of the Hengcheng Reorganisation, the Remaining Group will take up net liabilities from Hengcheng. It was agreed in the Hengcheng Equity Transfer Agreement that Hengcheng shall compensate the Remaining Group for the deficit (i.e. the Net Reorganisation Obligations amounting to RMB122,135,160 as at 30 June 2025). Therefore, the Net Reorganisation Obligations will be recognised as "amount due to the Company" in Hengcheng's accounts upon completion of the Hengcheng Reorganisation. In the accounts of Hengcheng, the Hengcheng Reorganisation would have the effect of shifting and transforming the net liabilities owing to third parties (in the amount of RMB122,135,160 as at 30 June 2025) in respect of the Hengcheng Excluded Assets and Liabilities into "amount due to the Company" in a sum equated to the Net Reorganisation Obligations (i.e. RMB122,135,160 as at 30 June 2025).

After the completion of the Hengcheng Reorganisation, Hengcheng will hold the Hengcheng Target Assets and Liabilities, which are primarily the Hengcheng Land and Constructions Interests and borrowings. For the two years ended 31 December 2024 and the six months ended 30 June 2025, the Hengcheng Target Assets and Liabilities were used in production and were carried at cost less accumulated depreciation without carrying an independent income stream. The Hengcheng Land and Construction Interests cannot have a separate profit or loss allocation from the financial information of Hengcheng for the two years ended 31 December 2024 and the six months ended 30 June 2025 as they were integral to production operations, supporting production lines rather than generating an independent income stream. These assets did not operate standalone but functioned as essential infrastructure for overall operations. Costs, such as depreciation and amortization, were incorporated into the broader production cost structure, making it impossible to isolate their financial contribution. Due to their integral role in production, the financial results of the Hengcheng Land and Construction Interests are inseparable from those of other operating assets. As a result, the Company considers that it is not possible and meaningful to allocate a distinct profit or loss to these assets.

Upon the completion of the Hengcheng Reorganisation, the Hengcheng Excluded Assets and Liabilities (which, after netting off, would be in deficit) will be transferred from Hengcheng to the Remaining Group, which will in turn give rise to the Net Reorganisation Obligations payable by Hengcheng to the Remaining Group. Before the completion of the Hengcheng Reorganisation, Hengcheng will be in a net deficit position (after netting off the assets and liabilities amongst the Hengcheng Excluded Assets and Liabilities) with net obligations owing to external parties; while after the completion of the Hengcheng Reorganisation, Hengcheng will be in a net deficit position (after netting off the assets and liabilities amongst the Hengcheng Excluded Assets and Liabilities) with net obligations owing to the Remaining Group. Hence, the net asset value of Hengcheng is expected to remain constant before and after the Hengcheng Reorganisation.

The Hengcheng Land and Constructions Interests

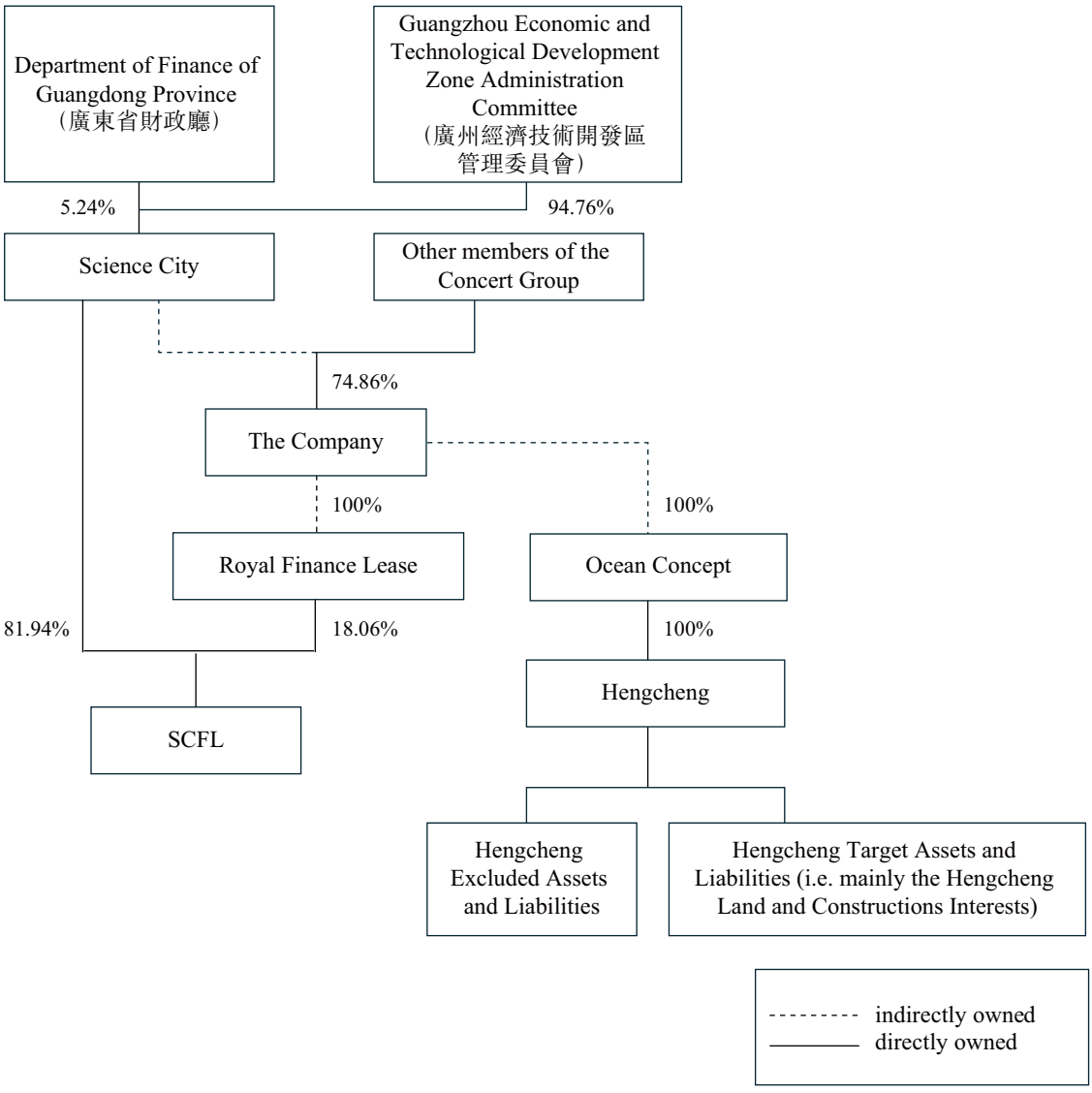
Hengcheng holds the Hengcheng Land and Constructions Interests, being a parcel of land with a total land area of approximately 75,092 square metres for industrial use located at Launch District in Guangde (Yingde) Industrial Park, Guangqing Economic Special Cooperation Zone* (廣清經濟特別合作區廣德（英德）產業園啟動區) in the Guangdong Province, together with buildings erected thereon and relevant constructions in progress. Upon the completion of the Hengcheng Reorganisation, Hengcheng's assets will consist mainly of the Hengcheng Land and Constructions Interests.

The appraised value of the Hengcheng Land and Constructions Interests is approximately RMB103 million as at 30 June 2025, based on an advance draft property valuation report prepared by the Valuer.

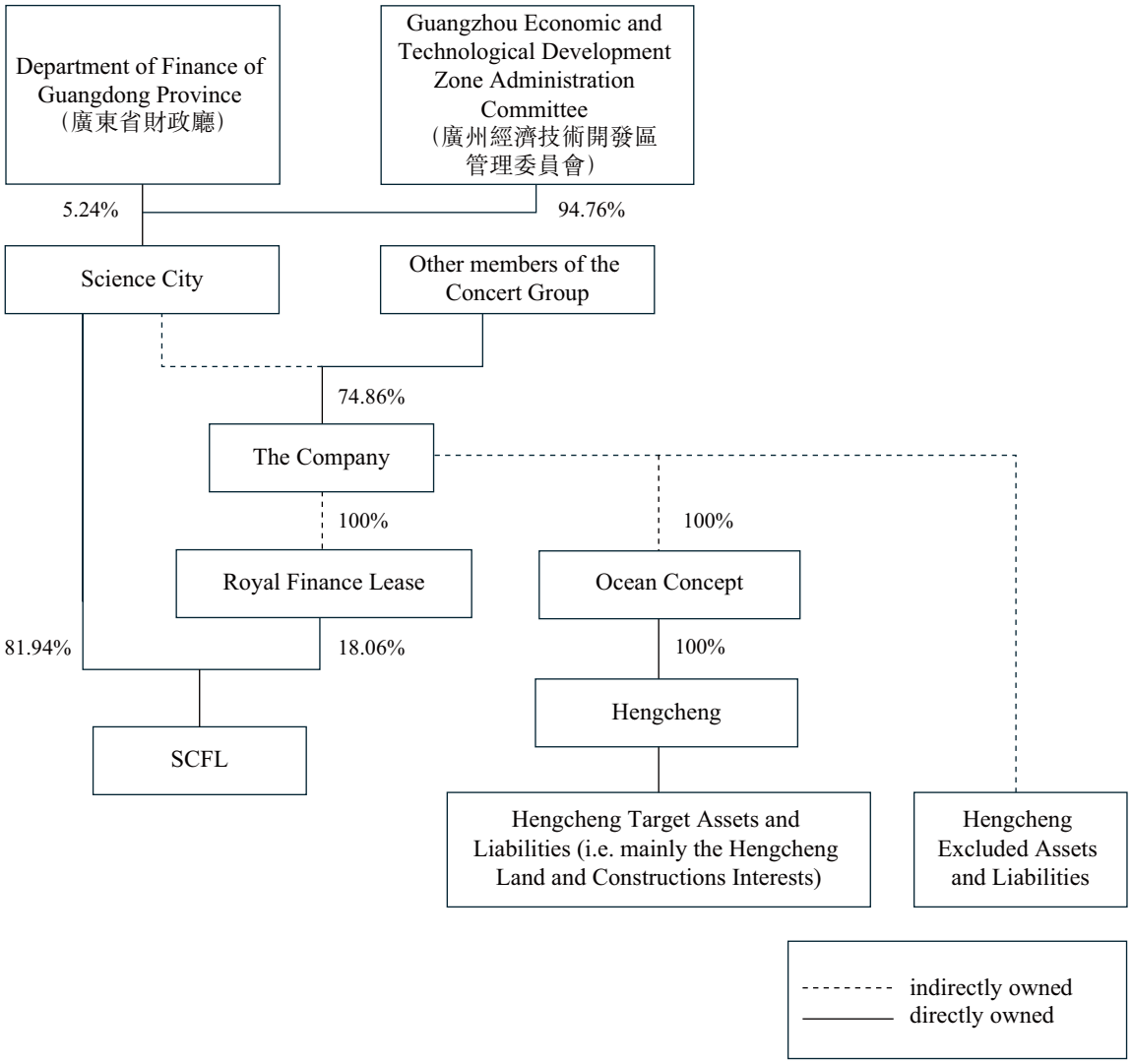
Shareholding structure

The following diagrams set out the simplified shareholding structures of SCFL and Hengcheng before and after the Completions:

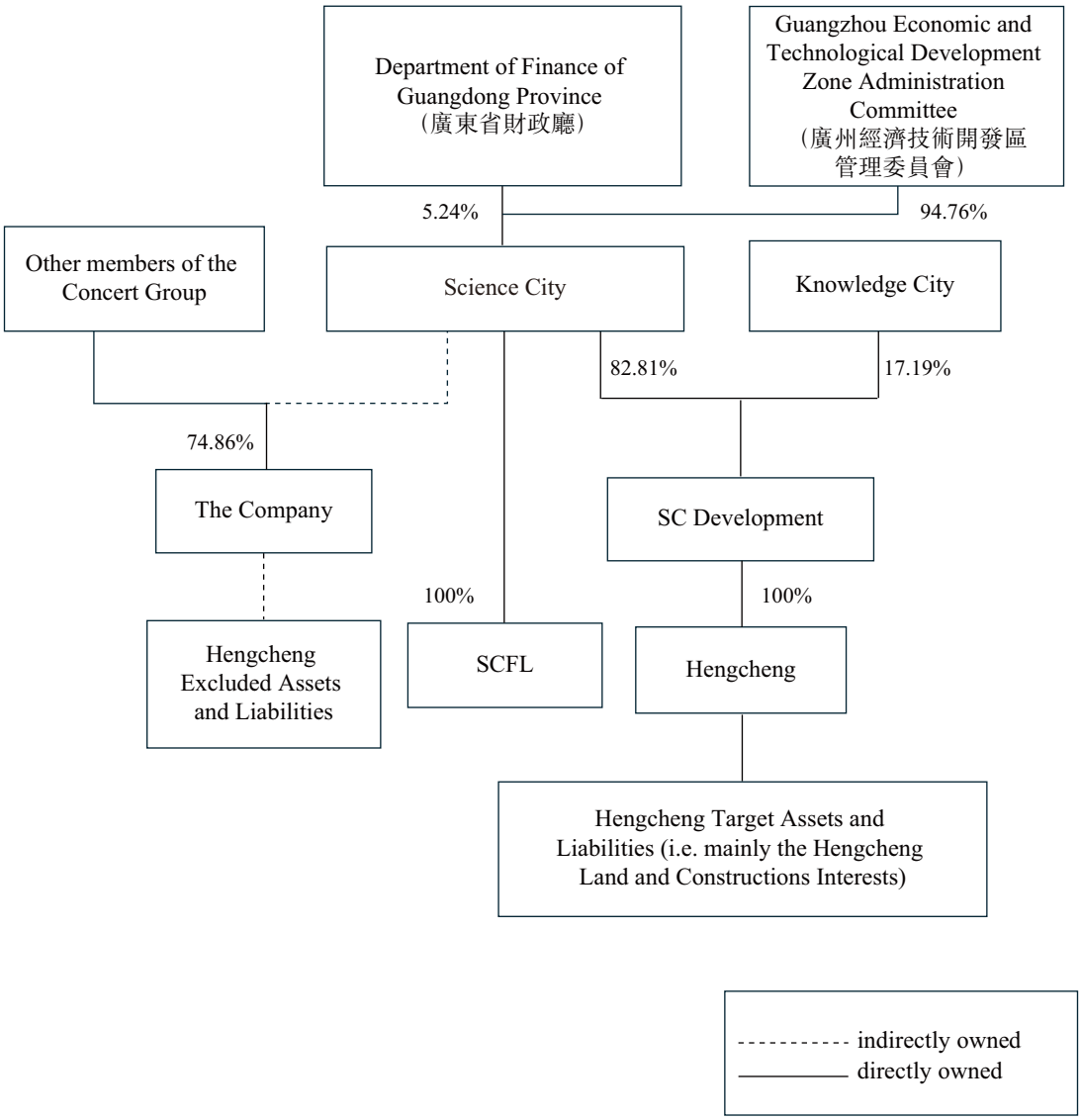
As at the date of this announcement



Immediately after the completion of the Hengcheng Reorganisation



Immediately after the Completions



INFORMATION OF THE PARTIES

Information of the Company and the Group

The Company is incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the design, sale and manufacture of furniture and trading of commodities.

Information of Science City

Science City is a company established in the PRC with limited liability on 21 August 1984 and its ultimate beneficial owner is the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會). Science City is principally engaged in, amongst others, investment, development and construction of industrial-city integrated body and construction-related services, advanced manufacturing and related services, investment and operation of environmental protection and water-related industries, investment and operation of strategic emerging industries such as digital economy.

As at the date of this announcement, Science City, through SCHK and parties acting in concert with it, is interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company, and hence is a controlling shareholder of the Company.

Information of SC Development

SC Development is a company established in the PRC with limited liability and a non-wholly-owned subsidiary of Science City. As at the date of this announcement, the equity interest in SC Development is owned as to 82.81% by Science City and 17.19% by Knowledge City (Guangzhou) Investment Group Co., Ltd.* ("**Knowledge City**", 知識城(廣州)投資集團有限公司). SC Development is principally engaged in development, operations and management of industrial parks. The equity interest in Knowledge City is owned as to approximately 90.64% by the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會) and approximately 9.36% by the Department of Finance of Guangdong Province (廣東省財政廳).

Information of Royal Finance Lease

Royal Finance Lease is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Information of Ocean Concept

Ocean Concept is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in manufacturing of sofa.

REASONS FOR AND BENEFITS OF THE DISPOSALS AND USE OF PROCEEDS

Use of proceeds

The estimated net proceeds (after deducting relevant expenses) of approximately RMB418.6 million to be received by the Group from the Disposals will be utilised for the repayment of part of the shareholders' loans provided by the Science City Group to the Group in the total amount of approximately RMB418.6 million (the "**Science City Loans**").

As at 30 June 2025, amongst the Group's total borrowings repayable within one year of approximately RMB2,587.9 million, approximately RMB1,539.2 million was loan from Science City repayable within one year. While the loan from Science City represents a majority of the Group's borrowings repayable within one year, the repayment of the Science City Loans (being part of the loans obtained from the Science City Group) is consistent with the Company's objective to improve the liquidity of the Group by improving its net debt position and reduce interest expenses. The Group will utilize its other resources (including but not limited to refinancing loans) for the repayment of other borrowings repayable within one year and/or negotiate with relevant financiers for the renewal of such loans.

In addition, due to its internal credit management policies and requirements, Science City has been putting great pressure on the Group to repay the loans obtained from Science City. The Science City Loans have all matured and become repayable on 31 August 2025. All of the Science City Loans would have originally matured and become repayable in 2024. Following negotiations and to support the Group, Science City had granted a temporary extension of the maturity dates of the Science City Loans until 31 August 2025. The Company understood during its discussions with Science City that, while it is the intention of Science City to continue to provide financial support to the Group, the Group will need to repay part of the loans first before Science City could maintain or further provide financial assistance to the Group. Taking into consideration the financial condition and liquidity position of the Group, including its current net current liabilities position, the continuing financial support from Science City is crucial to the Group.

In view of the above, the Directors consider that the repayment of the Science City Loans with the proceeds from the Disposals is fair and reasonable and in the interest of the Group.

Reasons for and benefits of the SCFL Disposal

As disclosed in the annual report of the Company for the year ended 31 December 2024, the Group incurred a net loss of approximately RMB348 million for the year ended 31 December 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB699 million, while its cash and cash equivalents amounted to approximately RMB20 million. The Directors were satisfied that it was appropriate to prepare the consolidated financial statements on a going concern basis as they were of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. Such conclusion was drawn after taking into account plans and measures formulated to mitigate the liquidity pressure and to improve the financial position of the Group, including without limitation, the Group's effort to seek suitable opportunities to disposal of certain equity interest.

Reference is made to the announcements of the Company dated 28 July 2020, 23 December 2020, 10 December 2021 and 18 March 2022 and the circular of the Company dated 4 September 2020 in relation to the acquisitions of equity interest in and capital injections into SCFL (the "**Previous Announcements**").

SCFL has been accounted for as an investment in associates in the financial statements of the Group. As disclosed in the Previous Announcements, the Company's vision for SCFL has always been an investment opportunity which may enable the Group to derive return. In view of the financial position and strategy of the Group as disclosed above, the Directors consider that the SCFL Disposal will enhance the Company's liquidity position and future fund raising capabilities for its ongoing businesses. The SCFL Disposal will also enable the Group to streamline its business and optimise its resources allocation, which will help the Group to focus on its core business.

Reasons for and benefits of the Hengcheng Disposal

As mentioned above, according to the annual report of the Company for the year ended 31 December 2024, as of 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB699 million while its cash and cash equivalents amounted to only approximately RMB20 million. The Hengcheng Disposal will help improve the liquidity of the Group by improving its net debt position through the repayment of shareholders' loans provided by the Science City Group by the net proceeds to be received from the Disposals, which would in turn safeguard the continuous operation of the Group's businesses without disruption.

As disclosed in the annual report of the Company for the year ended 31 December 2024, the shareholders' loans, which shall be repaid by the net proceeds to be received from the Disposals, bear an interest rate of 8% per annum. The repayment of such shareholders' loans shall, apart from improving the financial position of the Group, improve the profitability of the Group through the reduction of interest payment.

In addition, the improvement in the overall financial position of the Group through the Disposals, with the alleviation of net debt position, would help reduce the costs of future fund financings and open up more fundraising opportunities for the Group, of both equity and debt financing.

Furthermore, by focusing its resources, including both financial and management resources, to the Group's remaining core businesses, the Board believes that the profitability of its core businesses could see room for improvement, thereby strengthening the long-term outlook of the Group's businesses.

The Remaining Group's business

The subject matter of the Hengcheng Disposal is the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities). Through the Hengcheng Reorganisation, the Hengcheng Excluded Assets and Liabilities will be transferred out by Hengcheng to the Remaining Group. Hence, following the completion of the Hengcheng Disposal, the Operation Related assets and liabilities (i.e. those relating to the manufacturing and sale of furniture operations) of Hengcheng will be retained by the Remaining Group. The manufacturing and sale of furniture operations of Hengcheng will therefore be taken over by and merged into the Remaining Group. As the Remaining Group will continue to manufacture and sell furniture utilizing substantially the same production line and human resources as Hengcheng, the Company considers that there will be no material change to the Group's business model and operational structure.

The revenue of Hengcheng accounted for approximately 6.78% of the revenue of the Group for the year ended 31 December 2024. The Company considers that the production capacity of Hengcheng is not significant to the Group. Taking into account the above and the Transition Plan, the Company considers that there will be no material impact on the production capacity of the Group.

With respect to the Hengcheng Disposal, assuming the completion of the Hengcheng Reorganisation has taken place, Hengcheng's assets will consist mainly of the Hengcheng Land and Constructions Interests which did not contribute any identifiable revenue for the two years ended 31 December 2024 and for the six months ended 30 June 2025, and that the core business of manufacturing and sale of sofa will remain in the Remaining Group through the retention of the Operation Related assets and liabilities.

With respect to the SCFL Disposal, the Group through Royal Finance Lease only holds 18.06% equity interest in SCFL as at the date of this announcement and SCFL is classified as an associated company of the Company, while finance lease has not been classified as an operating segment of the Group.

In view of the above, the Board considers that the Hengcheng Reorganisation and the Hengcheng Disposal would have no material impact on the business model, operational structure and production capacity of the furniture business of the Group, and that the Remaining Group will be able to carry out its existing businesses with a sufficient level of operations and assets of sufficient value to support its operations after the Completions.

Having considered the above factors, the Directors (other than the independent non-executive Directors who have reserved their views pending the receipt of the opinion of the Independent Financial Adviser) are of the view that the terms of the Disposal Agreements are determined after arm's length negotiations and are on normal commercial terms, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Lin Ruhai, Mr. Wu Zhongming, Mr. Tao Ying, Ms. Yang Ying and Mr. Yan Weihao hold positions within or are designated by the Science City Group, each of the abovementioned Directors are deemed to have material interest in and have therefore abstained from voting on the resolutions of the Board approving the Disposal Agreements and the transactions contemplated thereunder.

FINANCIAL EFFECTS OF THE DISPOSALS

SCFL has been accounted for as investment in associates and hence its financial results are not consolidated into the financial statements of the Group. Upon the SCFL Completion, the Group will cease to hold any equity interest in SCFL.

Upon the Hengcheng Completion, Hengcheng will cease to be a subsidiary of the Company, and the financial results of Hengcheng will cease to be consolidated in the financial statements of the Group.

The SCFL Consideration is RMB416,752,500. The unaudited net asset value of SCFL as at 30 June 2025 was approximately RMB1,814.26 million and the transfer of the SCFL Equity Interest represented net asset value of approximately RMB341,244,272. Based on the unaudited financial information of SCFL as at 30 June 2025, and assuming the SCFL Completion had taken place as at 30 June 2025, the Group is expected to record a gain (before tax and expenses) from the SCFL Disposal of not more than approximately RMB75.51 million, representing the difference between the SCFL Consideration received under the SCFL Equity Transfer Agreement and the carrying value of the assets in the accounts of SCFL. Shareholders should note that the actual gain or loss (as the case may be) from the SCFL Disposal to be recorded by the Company will depend on the carrying value of the assets of SCFL as at the date of the SCFL Completion, and therefore may be different from the amount mentioned above.

The Hengcheng Consideration is RMB11,338,566.62. The unaudited net asset value of Hengcheng as at 30 June 2025 was approximately RMB11,896,960.05 (adjusted for the Hengcheng Reorganisation). Based on the unaudited financial information of Hengcheng as at 30 June 2025, and assuming the Hengcheng Completion (including the Hengcheng Reorganisation) had taken place as at 30 June 2025, the Group is expected to record a loss (before tax and expenses) from the Hengcheng Disposal of not more than approximately RMB0.56 million, representing the difference between the Hengcheng Consideration received under the Hengcheng Equity Transfer Agreement and the unaudited net asset value of Hengcheng (adjusted for the Hengcheng Reorganisation). Shareholders should note that the actual gain or loss (as the case may be) from the Hengcheng Disposal to be recorded by the Company will depend on the unaudited net asset value of Hengcheng as at the date of the Hengcheng Completion, and therefore may be different from the amount mentioned above.

The aforesaid financial impacts are shown for illustrative purpose only. The actual financial effect of the Disposals (including any gain or loss, as the case may be) will be subject to the review and final audit by the auditors of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Science City, through SCHK and parties acting in concert with it, is interested in an aggregate of 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company. Accordingly, Science City is a controlling shareholder of the Company and a connected person of the Company. SC Development, being a subsidiary of Science City, is an associate of SCHK and hence also a connected person of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the SCFL Disposal (on a standalone basis) exceed 75%, the SCFL Disposal (on a standalone basis) constitutes a very substantial disposal and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Hengcheng Disposal (on a standalone basis) exceed 5% but all are less than 25%, the Hengcheng Disposal (on a standalone basis) constitutes a discloseable transaction and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, a series of transactions are required to be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or are otherwise related. As both of the Disposal Agreements are entered into by members of the Group with members of the Science City Group and at the same time, the transactions contemplated under the Disposal Agreements are therefore required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As one or of the more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals (on an aggregated basis) exceed 75%, the Disposals (on an aggregated basis) constitute a very substantial disposal and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules and are therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the Company's independent non-executive Directors (namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin) has been formed to consider the terms of and advise the Independent Shareholders on the Disposal Agreements and the transactions contemplated thereunder so far as the interests of the Company and the Independent Shareholders are concerned as a whole.

INDEPENDENT FINANCIAL ADVISER

Ignite Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Disposal Agreements and the transactions contemplated thereunder.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreements and the transactions contemplated thereunder.

As SCHK, Mr. Tse, Crisana, Charming Future and Leading Star have material interest in the Disposal Agreements and the transactions contemplated thereunder, they will be required to abstain from voting on the relevant resolutions at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal Agreements and the transactions contemplated thereunder and will therefore be required to abstain from voting at the EGM on the relevant resolutions.

A circular containing, among other things, (1) particulars of the Disposal Agreements and the transactions contemplated thereunder; (2) financial information of SCFL and Hengcheng; (3) unaudited pro forma financial information of the Remaining Group; (4) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (5) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (6) other information concerning the Company as required under the Listing Rules; and (7) a notice of the EGM is expected to be despatched to the Shareholders on or around 17 October 2025, as additional time is required for the preparation of certain information to be included in the circular.

The Completions are subject to the Independent Shareholders' approval at the EGM and the fulfillment of the conditions precedent under each of the Disposal Agreements. Accordingly, the Disposals may or may not proceed. The SCFL Disposal and the Hengcheng Disposal are inter-conditional upon each other and the Completions shall take place simultaneously. The Company will not proceed with any of the SCFL Disposal or the Hengcheng Disposal unless the Completions take place simultaneously. Shareholders and potential investors of the Company are reminded to exercise caution in dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Charming Future"	Charming Future Holdings Limited, a beneficial owner of 209,768,922 Shares, representing 8.07% of the issued share capital of the Company as at the date of this announcement and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement

"Company"	Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1198)
"Completions"	collectively, the SCFL Completion and the Hengcheng Completion
"Concert Group"	SCHK, Mr. Tse, Leading Star, Crisana and Charming Future, being parties acting in concert pursuant to the Concert Group Agreement
"Concert Group Agreement"	the concert group agreement dated 24 May 2019 entered into amongst SCHK, Mr. Tse, Leading Star, Crisana and Charming Future
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Crisana"	Crisana International Inc., a beneficial owner of 165,840,120 Shares, representing 6.38% of the issued share capital of the Company as at the date of this announcement, and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
"Director(s)"	the director(s) of the Company
"Disposal Agreements"	collectively, the SCFL Equity Transfer Agreement and the Hengcheng Equity Transfer Agreement
"Disposals"	collectively, the SCFL Disposal and the Hengcheng Disposal
"EGM"	the extraordinary general meeting to be held by the Company for the Independent Shareholders to consider, and if thought fit, approve, amongst others, the Disposal Agreements and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Hengcheng"	Guangdong Hengcheng Furniture Co., Ltd.* (廣東恒誠傢俬有限公司), a company established in the PRC with limited liability

"Hengcheng Completion"	the completion of the Hengcheng Disposal pursuant to the terms and conditions of the Hengcheng Equity Transfer Agreement
"Hengcheng Consideration"	the consideration for the Hengcheng Disposal in the amount of RMB11,338,566.62
"Hengcheng Disposal"	the disposal of 100% equity interest in Hengcheng by Ocean Concept to SC Development pursuant to the Hengcheng Equity Transfer Agreement
"Hengcheng Equity Interest"	the 100% equity interest in Hengcheng to be disposed of by Ocean Concept under the Hengcheng Equity Transfer Agreement
"Hengcheng Equity Transfer Agreement"	the equity transfer agreement dated 22 September 2025 and entered into between Ocean Concept (as vendor), SC Development (as purchaser), Hengcheng and the Company in relation to the Hengcheng Disposal
"Hengcheng Excluded Assets and Liabilities"	the Operation Related assets and liabilities of Hengcheng to be transferred out of Hengcheng (including third party financings settled by the Remaining Group, employees to be transferred out and subsisting Operation Related contracts terminated or assigned) to the Remaining Group under the Hengcheng Reorganisation
"Hengcheng Industrial and Commercial Registration"	has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – The Hengcheng Completion" in this announcement
"Hengcheng Land and Construction Interests"	the parcel of land with a total land area of approximately 75,092 square metres for industrial use located at Launch District in Guangde (Yingde) Industrial Park, Guangqing Economic Special Cooperation Zone* (廣清經濟特別合作區廣德（英德）產業園啟動區) in the Guangdong Province, together with buildings erected thereon and relevant constructions in progress
"Hengcheng Long Stop Date"	31 December 2025 (or such other date as may be agreed by SC Development and Ocean Concept in writing)

"Hengcheng Reorganisation"	the reorganisation of the assets and liabilities of Hengcheng involving the (a) disposal or transfer of all Operation Related assets and liabilities of Hengcheng to the Remaining Group, (b) settlement of certain subsisting third party financings through funds provided by the Remaining Group; (c) transfer of all employees of Hengcheng to the Remaining Group; and (d) termination or assignment of all subsisting Operation Related contracts entered into between Hengcheng and third parties to the Remaining Group, such that Hengcheng shall cease to be bound by the said contracts
"Hengcheng Target Assets and Liabilities"	the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities of Hengcheng
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in relation to the Disposal Agreements and the transactions contemplated thereunder
"Independent Financial Adviser" or "Ignite Capital"	Ignite Capital (Asia Pacific) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreements and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholder(s) other than (i) Science City and its associates and parties acting in concert with any of them and (ii) any other persons who are interested in the Disposal Agreements and the transactions contemplated thereunder
"Knowledge City"	has the meaning ascribed to it in the sub-section headed "Information of the Parties – Information of SC Development"

"Leading Star"	Leading Star Global Limited, a company wholly-owned by Mr. Tse as at the date of this announcement and the direct beneficial owner of 51,971,227 Shares, representing 2.00% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
"Lease"	has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – The Hengcheng Reorganisation" in this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Tse"	Mr. Tse Kam Pang, the direct beneficial owner of 282,948,047 Shares, representing 10.89% of the issued share capital of the Company as at the date of this announcement. He is also deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
"Net Reorganisation Obligations"	has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – The Hengcheng Reorganisation" in this announcement
"Ocean Concept"	Ocean Concept Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Operation Related"	relating to the manufacturing and sale of furniture operations of Hengcheng
"PRC"	the People's Republic of China
"PRC GAAP"	the generally accepted accounting principles in the PRC
"Reference Date"	31 December 2024
"Registration Documents"	documents required for the transfer of the SCFL Equity Interest, including but not limited to shareholders' resolutions, board resolutions and the new articles of association of SCFL

"Remaining Group"	the Group after the Completions
"Royal Finance Lease"	Royal Finance Lease Limited (皇朝融資租賃有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SC Development"	Science City (Guangzhou) Development Group Co., Ltd.* (科學城（廣州）發展集團有限公司), a company established in the PRC with limited liability
"SCFL"	Science City (Guangzhou) Finance and Leasing Co., Ltd.* (科學城（廣州）融資租賃有限公司), a company established in the PRC with limited liability
"SCFL Completion"	the completion of the SCFL Disposal pursuant to the terms and conditions under the SCFL Equity Transfer Agreement
"SCFL Consideration"	the consideration for the SCFL Disposal in the amount of RMB416,752,500
"SCFL Disposal"	the disposal of 18.06% equity interest in SCFL by Royal Finance Lease to Science City pursuant to the SCFL Equity Transfer Agreement
"SCFL Equity Interest"	the 18.06% equity interest in SCFL to be disposed of by Royal Finance Lease under the SCFL Equity Transfer Agreement
"SCFL Equity Transfer Agreement"	the equity transfer agreement dated 22 September 2025 and entered into between Royal Finance Lease (as vendor), Science City (as purchaser) and SCFL in relation to the SCFL Disposal
"SCFL Industrial and Commercial Registration"	has the meaning ascribed to it in the sub-section headed "The SCFL Disposal – The SCFL Completion" in this announcement

"SCHK"	Science City (Hong Kong) Investment Co. Limited, a direct wholly-owned subsidiary of Science City and the direct beneficial owner of 1,234,862,964 Shares, representing 47.52% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company as at the date of this announcement pursuant to the Concert Group Agreement
"Science City"	Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984 and a controlling shareholder of the Company. The ultimate beneficial owner of Science City is the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會)
"Science City Group"	Science City together with its subsidiaries, which shall, for the purpose of this announcement, exclude the Group
"Science City Loans"	has the meaning ascribed to it in the sub-section headed "Reasons for and Benefits of the Disposals and Use of Proceeds – Use of Proceeds" in this announcement
"Security Deposit"	has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – Payment" in this announcement
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Transition Period"	in respect of the Hengcheng Disposal, the period from (but excluding) the Reference Date to (and including) the date of the Hengcheng Completion
"Transition Period Audit"	an audit to be performed by an auditor agreed and jointly engaged by Ocean Concept and SC Development within 15 days after the date of the Hengcheng Completion with respect to Hengcheng for the Transition Period using the date of the Hengcheng Completion as reference date

"Transition Plan"	has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – The Hengcheng Reorganisation" in this announcement
"Valuer"	International Valuation Limited, an independent professional valuer engaged by the Company
"%"	per cent

By order of the Board
Royale Home Holdings Limited
Lin Ruhai
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 22 September 2025

As at the date of this announcement, the Board comprises one executive Director, namely, Mr. Lin Ruhai (Chairman); four non-executive Directors, namely, Mr. Wu Zhongming, Mr. Tao Ying, Ms. Yang Ying and Mr. Yan Weihao; and three independent non-executive Directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin.

* *For identification purposes only*